

Message Text

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DRAFTED BY DRAFTED BY TEXT RECEIVED FROM WHITE HOUSE;
APPROVED BY EUR:JGLOWENSTEIN
NSC:SHADLEY
S/S: WHLUERS

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FM SECSTATE WASHDC
TO ALL NATO CAPITALS
INFO USNMR SHAPE
USCINCEUR
USLOSACLANT
CINCLANT
USDEL MC

UNCLAS STATE 040585

E.O. 11652: N/A

TAGS: MCAP, NATO

SUBJECT: JACKSON-NUNN AMENDMENT ON OFFSETS

ON FEBRUARY 20 THE PRESIDENT SUBMITTED A REPORT TO THE
CONGRESS ON IMPLEMENTATION OF THE JACKSON-NUNN AMENDMENT
ON OFFSETS, TEXT FOLLOWS:

BEGIN TEXT
TO THE CONGRESS OF THE UNITED STATES:

IN ACCORDANCE WITH SECTION 812(D) OF THE DEPARTMENT
OF DEFENSE APPROPRIATION AUTHORIZATION ACT, 1974 (PUBLIC
LAW 93-155), I AM PLEASED TO SUBMIT A FIFTH REPORT TO
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THE CONGRESS ON OUR PROGRESS TOWARD OFFSETTING THE BALANCE

OF PAYMENTS DEFICIT RESULTING FROM THE DEPLOYMENT OF U.S. FORCES IN NATO EUROPE.

AS REQUIRED BY SECTION 812, THE DEPARTMENT OF COMMERCE HAS BEEN WORKING IN CONSULTATION WITH THE DEPARTMENT OF DEFENSE AND THE GENERAL ACCOUNTING OFFICE TO DEFINE THE U.S. BALANCE OF PAYMENTS DEFICIT ON MILITARY TRANSACTIONS INCURRED IN FISCAL YEAR 1974 AS A RESULT OF OUR NATO COMMITMENTS. IN MY NOVEMBER REPORT, I PROVIDED TO THE

CONGRESS TENTATIVE FIGURES DEVELOPED BY THE COMMERCE DEPARTMENT WHICH ESTIMATED OUR FY 74 EXPENDITURES AT DOLLARS 1.983 BILLION. THIS HAS NOW BEEN CONFIRMED AS THE FINAL FY 74 EXPENDITURE FIGURE.

THE COMMERCE DEPARTMENT IS NOW IN THE PROCESS OF IDENTIFYING U.S. FY 74 BALANCE OF PAYMENTS RECEIPTS REFLECTING MILITARY-RELATED SALES AND EXPORTS TO OUR EUROPEAN NATO ALLIES, THROUGH BOTH OFFICIAL U.S. FOREIGN MILITARY SALES (FMS) AND COMMERCIAL CHANNELS. ONCE TOTAL RECEIPTS HAVE BEEN IDENTIFIED, THEY WILL BE SUBTRACTED FROM THE DOLLARS 1.983 BILLION IN EXPENDITURES TO ESTABLISH THE FY 74 DEFICIT. WHILE THE DEPARTMENT HAS BEEN ABLE TO CONFIRM ALLIED PURCHASES THROUGH FMS CHANNELS, IT HAS BEEN UNABLE TO SETTLE ON A FIGURE FOR COMMERCIAL RECEIPTS. THE COMMERCE DEPARTMENT'S BALANCE OF PAYMENTS ACCOUNTING PROCEDURES ARE NOT IN SUFFICIENT DETAIL TO PERMIT IT TO ISOLATE ALL OF THESE PURCHASES. USING INFORMATION PROVIDED BY OUR ALLIES THROUGH THE NATO ECONOMIC DIRECTORATE, THE COMMERCE DEPARTMENT IS MAKING AN EFFORT TO IDENTIFY AS MANY OF THESE TRANSACTIONS AS POSSIBLE AND TO INCLUDE THEM IN ITS CALCULATION OF THE BALANCE OF PAYMENTS DEFICIT.

AN INTERAGENCY COMMITTEE WITHIN THE EXECUTIVE BRANCH HAS BEEN WORKING TO IDENTIFY OTHER TRANSACTIONS WHICH SERVE TO OFFSET THIS BALANCE OF PAYMENTS DEFICIT. OF MAJOR IMPORTANCE IS THE FY 74-75 US/FRG OFFSET AGREEMENT, WHICH WAS DESCRIBED IN SOME DETAIL IN THE MAY 1974 REPORT. WE HAVE SINCE BEEN WORKING IN COOPERATION WITH UNCLASSIFIED

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OUR ALLIES TO IDENTIFY ADDITIONAL CATEGORIES OF OFFSETS. THESE WILL INCLUDE ALLIED PURCHASES OF U.S. MILITARY-RELATED EQUIPMENT WHICH CANNOT BE EXTRACTED FROM THE U.S. BALANCE OF PAYMENTS ACCOUNTING SYSTEM. I WILL PROVIDE DETAILS ON THESE OFFSET CATEGORIES IN MY MAY 1975 REPORT TO THE CONGRESS.

ONCE OUR ANALYSIS HAS BEEN COMPLETED AND THE FY 74 MILI-

TARY BALANCE OF PAYMENTS DEFICIT HAS BEEN ESTABLISHED,
I AM CONFIDENT THAT THIS DEFICIT WILL BE OFFSET BY THE
ITEMS WE HAVE IDENTIFIED AND THAT THE REQUIREMENTS OF
SECTION 812 WILL BE MET.

GERALD R. FORD
THE WHITE HOUSE
FEBRUARY 20, 1975

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